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A lopsided look at rents

I REFER to the article "Property men defend landlords" (SCM Post, November 11).

With the exception of Mr Robert Adams, representing the American Chamber of Commerce, the balance of the panel seem inappropriate to represent a fair overall objective on the subject of excessive rents.

In short, this panel/subject composition could be compared with consulting a chicken hawk on how to build a better chicken coup.

There are many areas in the article which invite further argument, however I shall address only a couple of them in these columns.

Mr Bill Wyllie states that construction costs are much higher today and implies that this is why rents must be higher. Mr Wyllie says a 1,500 square foot flat which could be built for around \$250,000 in 1972 would cost around \$1.5 million to build today. This is a 600 per cent increase in cost in seven years.

I will venture to say that material and labour costs have not even come close to increasing 600 per cent during this seven-year period.

In fact I doubt that material and labour costs have increased more than 200 per cent during the past seven years. Where is the other 400 per cent of "increased costs" if it is not in materials and labour?

To look at it another way, building costs have increased from around \$167 per square foot to \$1,000 per square foot. Could Mr Wyllie, or someone else in a knowledgeable position break this down in more factual and revealing terms such as the following:

Breakdown in dollars per square foot					
Year	Labour	Materials	Land	Overhead	Gross Profit
1972	\$ per sq ft	\$ per sq ft	\$ per sq ft	\$ per sq ft	\$ per sq ft
1979	\$ per sq ft	\$ per sq ft	\$ per sq ft	\$ per sq ft	\$ per sq ft

I think that if a reasonably accurate breakdown is furnished as requested above, it shall provide substantial perspective on what the major causes are for building cost increases.

Mr Trevor Bedford proclaims that Hongkong Land rent increases over the past three years works out to about 20-24 per cent annually. This is out of context with the problem at

hand, as the great "rental crunch" has been most drastic in the past 12-15 months.

I very much doubt that Mr Bedford could quote a 20-24 per cent annual increase rate on Hongkong Land's owned or managed properties during the past 15 months.

In fact, I would venture a guess that this rate would be in excess of 50 per cent, excluding those properties owned or managed which are under rent control.

Question — Why does Mr Bedford use three-years for stating Hongkong Land's rental increases, instead of the past 15 months which is the time frame where the problem began to go berserk?

During the past 15 months, I am sure that there are many individuals and companies who would strongly disagree with Mr Bedford when he says that "the image of fat-cat landlords sitting back and watching profits pour in from the rent-paying public is not a true one."

Individuals and companies who are experiencing the realities of 100 per cent "plus" rental increases, simply will not swallow Mr Bedford's out-of-context rhetoric.

Regarding Mr Fry's position, there are two things which I do not understand.

First, why is Mr Fry unaware that this problem does exist in Hongkong's middle class. The problem is not limited to just a particular group.

Mr Fry might find it worthwhile to examine rental increases during the past 15 months in places such as Mei Foo Sun Chuen, a gigantic complex predominantly occupied by the Hongkong middle or middle/upper class.

Second, in Hongkong's long proclaimed laissez-faire profile, why is there always a shortage of Crown land for residential purposes, instead of an overabundance? In a laissez-faire profile, the "catch-up" approach to problems of a Government controllable situation such as we now have, and have had for many years, is simply ineffective.

In this regard, the Government appears to have continually lacked foresight, and exhibits a tendency to only face up to a problem after the situation becomes a reality and all of the damage is done.

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